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SUBJECT: HCMC TOURISM SEMINAR DRAWS LARGE CROWD, BUT CAN VIETNAM?

SUMMARY

1. Despite recent setbacks from SARS and the avian flu, the number of foreign tourists to Vietnam has been growing steadily over the past decade. Provincial and local governments, as well as the central government, have been pushing to make Vietnam a top tourist and leisure destination. Yet the percentage of tourists coming from the U.S. has actually declined. At a recent American Chamber of Commerce seminar in HCMC, visiting foreign experts advised the burgeoning travel and leisure industry to pool their financial resources in order to place Vietnam on the radar screen of American tourists. Consul General Yamauchi urged the Vietnamese government to improve consular notification and access practices and to establish a tourist police. Visiting experts suggested that the GVN streamline visa, immigration, and customs procedures, allow firms to bring in foreign management and technical staff without putting obstacles in their way, and to develop sensible infrastructure plans and projects. But will the GVN focus on any of these issues?

GVN NEEDS TO SHAPE UP

2. On May 14, the American Chamber of Commerce (AmCham) in Ho Chi Minh City (HCMC) hosted a seminar on "Marketing Vietnam as a Destination for American Travelers." AmCham assembled a slate of travel industry executives, market analysts, entrepreneurs, and travel writers to share their insights with their Vietnamese counterparts, who have repeatedly expressed befuddlement over the best way to attract American tourists. The event drew more than 200 travel industry professionals, Vietnamese and expatriate alike. Keen local interest in how to draw American leisure travelers halfway around the world -- bypassing many attractive and more convenient destinations enroute -- meant the meeting hall was standing-room only by the time Consul General Yamauchi and Vice Chairman Nhan of the HCMC People's Committee delivered opening remarks.

3. The good news is easy. Vietnam is an exotic destination with beautiful beaches, scenic mountains, and a range of historic sights and sites. The bad news is that so do Thailand, the Philippines, and Indonesia, and those are just the regional competitors for American tourist dollars. The one trump card Vietnam has to play -- the perception that it is the safest destination in Southeast Asia -- may not be enough to overcome a host of obstacles.

4. In opening remarks, CG Yamauchi emphasized USG concerns for the safety and security of AmCits in Vietnam. At present, there is no reliable system of consular notification and access when Americans run afoul of the law and are arrested/detained. This unpredictability deprives AmCits (and other foreign nationals) of timely access to consular officers and contravenes international obligations under the Vienna Convention on Consular Relations. In the case of the U.S., Vietnam often does not fulfill the terms of the bilateral Agreed Minute. While HCMC Office of External Affairs efforts to notify the ConGen of AmCit illnesses, injuries, and deaths have improved, provincial efforts are still woefully lacking in many cases. Prompt consular notification and access are indeed linked to Vietnam's reputation as a tourist destination.

5. On behalf of the HCMC consular corps (30 consulate generals), the CG reiterated the need for HCMC to establish a tourist police force. The lack of tourist police means visitors in trouble are left to navigate the vagaries of the Vietnamese justice and medical systems without much in the way of assistance. (Post Note: This suggestion is one that the consular corps in HCMC has put forward to the HCMC government previously. Since the public security/police budget is controlled by the central GVN, the HCMC People's Committee has requested additional funding from Hanoi for a tourist police force these past two years. Both times their request has been refused. End note.)

6. A number of speakers mentioned the difficulty journalists, in this case travel writers, have in obtaining visas to visit Vietnam. Travel articles are powerful, cost-free, advertising tools, but the onerous visa process limits the number of articles on Vietnam. Moreover, when journalists or any other visitor does finally board a plane for Vietnam a rude surprise may await them at the other end. The immigration arrival and customs clearance process can be quite lengthy. One visiting writer told the crowd he waited in line for two hours upon arrival, an experience which left a "bad taste" in his mouth.

7. Vietnam's tourism industry is in its infancy, and the human resources needed are not always available locally. Skilled

managers and marketing professionals are needed, but bringing in expat workers involves bureaucratic hassles that the GVN could streamline or abolish to encourage tourism development.

18. American-born entrepreneur turned Thai citizen William Heinecke who operates hotels and resorts in Thailand, among other successful businesses, pointed out the role of government in overall regulation of development. He noted that everyone agrees Vietnam is seriously lacking in various kinds of infrastructure and the GVN must sensibly decide where and how those infrastructure improvements are made. Heinecke told the audience that no tourist wants to vacation next-door to a new industrial processing zone or commercial port. In his view Vietnam is at a crossroads and in many areas the government will have to choose between tourism and industrial development. This is sound advice for a country where it is not unheard of to see "eco-tourism zone" side-by-side with "industrial park" or "commercial port" on government master plans.

Pool Resources for Vietnam Advertising Campaign

19. For the tourism industry itself, speakers pointed out several key areas for improvement. Vietnam has no real marketing or tourism image, no catchy slogan, no unified ad campaign, and no one-stop source of information about the country. Panelists advised Vietnamese counterparts to pool funds for ads designed to promote Vietnam as a place, rather than an individual resort or tour.

110. One bright spot on the horizon is the recent interest in Vietnam by major U.S. airlines. In the wake of the recent civil aviation agreement, American Airlines has hired a local agent and set up a new code share arrangement, and United hopes to fly its own planes on a San Francisco-Hong Kong-HCMC route within the next 12 months. Both airlines helped sponsor the AmCham seminar.

GVN and Industry Partnership Needed

111. The role of public-private cooperation was discussed toward the end of the seminar. A speaker from the Pacific Asia Travel Association (PATA) related his experiences working on tourism campaigns in Hong Kong and Singapore. He said the key element of both successful campaigns was a taskforce made up mostly of tourism industry professionals, but headed by a strong figure from the national government. The taskforce leader was someone with sufficient stature to effect change within the government, whenever it became apparent that a government-induced impediment was holding back the industry.

112. The lack of positive GVN participation, except to promote state-owned tour companies, was clearly a frustration for seminar attendees. In a bold comment, a Vietnam Airlines panelist complained that no GVN officials other than HCMC's deputy mayor attended the seminar, who made opening remarks and then left.

113. AmCham, through its Tourism Committee, will follow up on seminar recommendations and form a Vietnam tourism taskforce composed of some non-AmCham members as well. Once the task force is set up, it will ask the GVN to participate. The chairs of the AmCham tourism committee will call on the Vietnam Administration of Tourism (VNAT) headquarters in Hanoi to "report" the findings of this tourism conference to the central GVN authority responsible for regulating the industry and promoting Vietnam as a destination.

COMMENT

114. Travel to Vietnam is by no means stagnant. In 2003, over 2.4 million foreigners visited, including 220,000 Americans. According to VNAT, at least 1.6 million of these visitors came as tourists or to visit relatives. These numbers are down from 2002, but the decline was relatively small for a year marked by SARS and the war in Iraq. The long-term trend is one of growth, with 2003 seeing four times as many visitors as 1993. The frustration for industry insiders is that the share of the market comprised of U.S. visitors, who are relatively big spenders, is actually shrinking. According to PATA, Americans made up 17 percent of foreign arrivals to Vietnam in 1993. Today they account for 9 percent, and Vietnam attracts only 7 percent of American trips to Asia.

115. Vietnamese, European, and Australian travel and tourism professionals here wonder what makes American tourists tick. A recurring theme was "We don't understand Americans and need help figuring out the U.S. market." Some portion of the problem may be solved by spending money on professional advertising in the U.S. and more exposure to American tourists over time. They seem, however, to miss a fundamental point. Vietnam is far away, and it takes a great deal of money and time to get here. This cuts out most American tourists. For the remaining few, Vietnam will have to compete for their tourist dollars by outperforming its neighbors. The increase of U.S. tourists as a function of market share will likely be incremental, especially since the GVN seems unwilling to do more at this time to market Vietnam as a destination. There may also be a bigger underlying problem -- virtually no attention was devoted at the seminar to the subject

of keeping tourists happy and safe once they arrive.
YAMAUCHI